

Murphy, Laniel + Quinn

UNITED INFORMATION BUREAU
CORPORATION FILE

AS

THE BALDWIN COMPANY

Cincinnati, April 4, 1938

ANNUAL REPORT TO SHAREHOLDERS SEVENTY-FIFTH YEAR

To the Shareholders of The Baldwin Company:

Sales for the year 1937, exclusive of small goods and intercompany sales, were \$4,529,150.30, an increase of 21.4% over 1936. The net profits for the year 1937 were \$177,634.03 after deduction of Federal income taxes, interest and depreciation charges.

Consolidated Balance Sheets as of December 31, 1937 and 1936 and Analysis of Surplus Accounts for the year 1937 are included herewith.

Total Current Assets have increased \$303,846.65 and Total Current Liabilities have increased \$293,525.56. The increases in Current Assets are: Cash—\$82,490.99, Notes and Accounts Receivable, Net—\$145,021.00, and Inventories—\$76,334.66. Increase in Current Liabilities is principally due to \$300,000.00 bank loans this year, compared with no borrowings at the end of last year. In the usual course, bank loans were decreased \$100,000.00 immediately after January 1, 1938. The ratio of Current Assets to Current Liabilities continues high, 7.8 to 1.

During the year 1937 regular dividends of \$6.00 per share were paid on the Cumulative Preferred Stock and dividends totaling 50 cents per share were paid on the Common Stock. The net increase in Earned Surplus after these charges amounted to \$3,129.27. On December 31, 1937 there were 503 Preferred Stockholders and 258 Common Stockholders.

In the last two years our total direct taxes, exclusive of Federal income tax, have increased 2.7 times.

Notwithstanding an increase in sales of 21.4%, the earnings of the Company were smaller in 1937 than in 1936. The earning trend so far this year has not been satisfactory.

For the first six months of 1937, increased sales resulted in increased earnings. However, during the second six months and more particularly during the last quarter, although sales continued larger than the year before, earnings were seriously reduced. The reason for this was the considerable increase in labor and material costs, with no corresponding increase in the market price for pianos. Because many months are required to manufacture a piano, increases in the costs of material and labor which occurred during the latter part of 1936 and the first half of 1937, appeared in the finished product only in the latter part of 1937.

The difficulty of passing these increased costs on to the consumer is best illustrated by the following typical case: Between the fall of 1936 and the fall of 1937, the costs of material and labor on one of our popular console types of pianos increased 14.1%, but the increase in the sale price to dealers on this style was only 5.1% and there was no increase in the price to the retail customer.

So far in 1938 the demand for our pianos has held up remarkably. However, even at the present large rate of output, the results have not been satisfactory because of the high costs of manufacturing, compared with selling prices.

We continue to search for new materials and methods of design and manufacture in the effort to reduce the manufacturing costs, and to hold our high place in the industry.

In February we announced our 1938 line of pianos. These new styles have met with enthusiastic reception from our dealers. Present indications point to the maintenance of our current volume of sales, but the ability to report a profitable operation for the year, will largely depend on our working out a more sound relationship between selling prices and our costs.

Respectfully submitted,

LUCIEN WULSIN, President.

**THE BALDWIN COMPANY AND
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1937**

ASSETS	December 31, 1937	December 31, 1936
Cash	\$ 240,211.38	\$ 157,720.39
Notes and Accounts Receivable—	\$3,099,380.08	\$2,840,050.85
Less: Dealers' Contingent Equities	589,407.52	521,255.35
	<u>\$2,509,972.56</u>	<u>\$2,318,795.50</u>
Less: Provision for Possible Loss....	519,688.43	473,532.37
	<u>1,990,284.13</u>	<u>1,845,263.13</u>
Inventories	2,122,307.41	2,045,972.75
Total Current Assets.....	<u>\$4,352,802.92</u>	<u>\$4,048,956.27</u>
Plant and Equipment:		
Real Estate and Buildings.....	\$1,198,187.64	\$1,198,187.64
Machinery and Equipment.....	1,046,001.03	1,008,091.86
	<u>\$2,244,188.67</u>	<u>\$2,206,279.50</u>
Less: Reserve for Depreciation.....	1,397,499.93	846,688.74
	<u>846,688.74</u>	<u>1,351,113.81</u>
Other Assets	31,213.00	30,905.00
Deferred Charges to Future Operations.....	8,304.68	5,500.95
Total Assets.....	<u>\$5,239,009.34</u>	<u>\$4,940,527.91</u>

**CONDENSED CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1937**

Net Profit From Operations Before Deducting Depreciation and Federal Income Taxes.....	
Deduct:	
Depreciation	
Federal Income Taxes.....	
Net Profit for Year Ended December 31, 1937.....	

ANALYSIS OF CONSOLIDATED SURPLUS ACCOUNT

Balances, January 1, 1937.....	\$
Add:	
Net Profit for year ended December 31, 1937.....	\$ 177,634.03
Adjustment of depreciation—prior years.....	525.00
Adjustment of Federal Income Tax, prior years....	226.24
Deduct:	
Dividends Paid on Preferred Stock, Net.....	\$ 108,366.00
Dividends Paid on Common Stock.....	66,890.00
Balances, December 31, 1937.....	\$

CERTIFICATE

We have audited the books of account and
SUBSIDIARY COMPANIES as at December 31,
Secretary as to the accuracy of the inventories. Surplus
above balance sheet reflects the financial condition
December 31, 1937, and that the accompanying profit

ND SUBSIDIARY COMPANIES
ATED BALANCE SHEETS
AND DECEMBER 31, 1936

LIABILITIES AND CAPITAL	December 31, 1937	December 31, 1936
Notes Payable.....	\$ 300,000.00	\$ 0.00
Accounts Payable.....	145,139.45	143,877.50
Accrued Expenses.....	71,921.71	72,101.58
Federal Income Taxes—Current	38,973.93	46,530.45
Total Current Liabilities.....	<u>\$ 556,035.09</u>	<u>\$ 262,509.53</u>
Mortgage Payable.....	50,000.00	50,000.00
Deferred Credits.....	72,886.58	71,059.98
Reserve for Contingencies.....	116,769.48	116,769.48
Capital Stock and Surplus:		
Preferred Issue of 1901-1903		
Issued and Outstanding,		
2327 Shares.....	\$ 232,700.00	\$ 232,700.00
Less: In Treasury.....	<u>29,300.00</u>	<u>29,300.00</u>
	203,400.00	203,400.00
Preferred, Series A, 1924		
Issued and Outstanding,		
20,000 Shares.....	\$2,000,000.00	\$2,000,000.00
Less: in Treasury.....	<u>397,300.00</u>	<u>397,300.00</u>
	1,602,700.00	1,602,700.00
Common Stock, 133,786.6 Shares....	1,070,292.80	1,070,292.80
Capital Surplus.....	\$ 279,211.87	\$ 279,211.87
Earned Surplus.....	<u>1,287,713.52</u>	<u>1,284,584.25</u>
Total Liabilities and Capital.....	<u><u>\$5,239,009.34</u></u>	<u><u>\$4,940,527.91</u></u>

ATEMENT OF PROFIT AND LOSS
CEMBER 31, 1937

.....	\$270,040.83
.....	\$53,432.87
.....	38,973.93
.....	92,406.80
.....	<u>\$177,634.03</u>

UNTS FOR YEAR ENDED DECEMBER 31, 1937

al	Capital Surplus	Earned Surplus
\$1,563,796.12	\$ 279,211.87	\$1,284,584.25
	\$ 177,634.03	
	525.00	
178,385.27	226.24	178,385.27
\$1,742,181.39	<u>\$ 279,211.87</u>	<u>\$1,462,969.52</u>
	\$ 108,366.00	
175,256.00	66,890.00	175,256.00
\$1,566,925.39	<u>\$ 279,211.87</u>	<u>\$1,287,713.52</u>

F I C A T E

l record of THE BALDWIN COMPANY AND
1937, accepting a certification from the company's
bject to this qualification, we hereby certify that the
n of The Baldwin Company and its subsidiaries at
it and loss statement and surplus analysis are correct.

MURPHY, LANIER & QUINN

OFFICERS:

Lucien Wulsin.....	President and Treasurer
J. P. Thornton.....	Vice-President
Philip Wyman.....	Vice-President
A. J. Schoenberger.....	Secretary
W. H. Smith.....	Asst. Treasurer
C. W. Fessler.....	Asst. Secretary

DIRECTORS:

Lucien Wulsin Cincinnati	Wm. J. Rielly Cincinnati
J. P. Thornton Cincinnati	Philip Wyman Cincinnati
Geo. W. Lawrence Cincinnati	

GENERAL OFFICES:

Gilbert Avenue, Cincinnati
Cable Address: "Baldwinco, Cincinnati"

PRINCIPAL SELLING OFFICES:

Cincinnati	Chicago	San Francisco
St. Louis	Denver	Louisville
Pittsburgh		New York

EXPORT OFFICES:

New York	Cincinnati	San Francisco
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SUBSIDIARY COMPANIES

The Baldwin Piano Company	The Hamilton Piano Company
The Howard Piano Company	The Monarch Piano Company